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TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: DHS Affiliation Agreement with Drew University (Agenda Item 36)

Item 36 on your Board's agenda for September 14, 2004 is a request from the Department of Health Services (DHS) to approve a new affiliation agreement with Charles Drew University (Drew) for academic and clinical services at King/Drew Medical Center.

On August 17, 2004, we issued an audit report on the current affiliation agreement with Drew. We have reviewed the proposed new agreement to determine whether it addresses the recommendations in our prior report.

Our review indicates that the proposed new affiliation agreement addresses most of the operational issues from our report and improves the controls over services received from and payments to Drew. For example, the new agreement requires Drew to provide timecards to document the services provided and pays Drew based on actual services provided.

In a few areas we plan to work with the parties to ensure the intent of the recommendations in the report is fully implemented. Specifically:

- We previously noted that DHS and Drew had made very limited progress in developing performance measures to evaluate Drew's services under the agreement. Addendum B of the proposed agreement includes a number of specific performance measures (e.g., resident scores on in-service exams and Board certification pass rates, etc.) to be used. We intend to evaluate Internal Reviews and other performance indicators and discuss with DHS and Drew any other specific qualitative and quantitative performance standards that will help to monitor Drew's performance under the contract.

- We also previously noted that Drew did not keep detailed records of how the agreement funds received from the County were used. The proposed agreement requires Drew to provide a budget and a report on how the funds were actually spent. But, the agreement does not indicate the specific detail Drew is required to provide. We will work with DHS and Drew to ensure that Drew provides the level of detail needed to allow the County to evaluate how amounts paid to Drew are used and compare the cost of Drew agreement to other affiliation agreements.
- Finally, our August 17 report noted that some prior payments to Drew may have been inaccurate (e.g., the County paid Drew for some programs based on inaccurate number of residents in the program, etc.) and recommended that DHS evaluate the prior payments to Drew and seek reimbursement if appropriate. We noted that the proposed affiliation agreement does not address the issue of prior payments to Drew. We will discuss this with DHS.

If you have any questions, please call.

JTM:MO:js

c: David E. Janssen, Chief Administrative Officer
Thomas L. Garthwaite, M.D., Director and Chief Medical Officer, DHS
Harry E. Douglas III, DPA, Interim President, Charles Drew University